

THOMAS J. VILSACK
GOVERNOR

STEVEN K. YOUNG, DIRECTOR

SALLY J. PEDERSON
LT. GOVERNOR

December 30, 2004

Michael E. Marshall
Secretary of the Senate
Iowa Senate
State Capitol
Des Moines, Iowa 50319

Margaret A. Thomson
Chief Clerk of the House
Iowa House of Representatives
State Capitol
Des Moines, Iowa 50319

Dear Mr. Marshall and Ms. Thomson:

Pursuant to Section 9 of House File 2562, an Act relating to electrical and mechanical amusement devices that are required to be registered with the Department of Inspections and Appeals (DIA), I am pleased to submit this Interim Report on the Implementation of House File 594 and House File 2562. This report covers the period from the enactment of HF 594, which established the registration of electrical and mechanical amusement devices, through the enactment of HF 2562, which capped the number of registrations as of the effective date of the legislation.

As the report indicates, DIA has collaborated with the Department of Public Safety (DPS) and the Department of Administrative Services, Information Technology Enterprise, (DAS/ITE) to bring about the effective administration and enforcement of the provisions of Iowa Code chapter 99B, as amended by the above-mentioned legislation. An online registration system, developed by DAS/ITE, has permitted the registration of nearly 7,000 electrical and mechanical amusement devices. The system's database permits DIA to share location information with agents from DPS' Division of Criminal Investigation, which enforces the law. DPS has visited nearly all 99 counties in the past six months to ensure amusement devices are being offered and operated in compliance with the law.

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Mr. Marshall/Ms. Thomson
December 30, 2004
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The administration and enforcement of electrical and mechanical amusement devices has been a major undertaking for all departments involved in the law's implementation. However, I believe the interim report clearly shows that much progress has been made in an efficient and cost-effective manner.

A final report on the administration and enforcement of HF594 and HF 2562 by DIA and DPS will be submitted September 1, 2005. That report will include activities for all of fiscal year 2005.

If you have any questions concerning this interim report or implementation of the legislation, please contact my office at 281-5457.

Sincerely,

A handwritten signature in black ink that reads "Steve Young". The signature is written in a cursive, flowing style.

STEVEN K. YOUNG
Director

cc: Senate and House Government Oversight Committees
Senate and House State Government Committees

IOWA DEPARTMENT OF
INSPECTIONS AND APPEALS

Registration of Electrical and Mechanical Amusement Devices

Interim Status Report on the Implementation of
House File 594 and House File 2562

December 2004

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**Interim Report on the Implementation of HF 594 and HF 2562
Registration of Electrical and Mechanical Amusement Devices**

I. OVERVIEW OF HOUSE FILE 594

House File 594, an act relating to the registration of electrical and mechanical amusement devices (amusement devices), became effective on May 23, 2003. The law required amusement devices, that award a prize and where the outcome is not primarily determined by the skill or knowledge of the operator, be registered annually with the Iowa Department of Inspections and Appeals (Department) and imposed a \$25 per device registration fee. The law further required all manufacturers, manufacturers' representatives, and distributors of these amusement devices to register annually with the Department and pay a \$2,500 registration fee.

The law, which amended Iowa Code Chapter 99B, also contained the following provisions:

- Amusement devices may only be purchased or leased from a manufacturer, manufacturer's representative, or distributor registered with the Department.
- Qualified organizations exempt from federal income tax may have up to four (4) devices; all other entities may only have two (2) devices.
- Prizes awarded by the devices may only be redeemed on the premises where the devices are located and only for merchandise sold in the normal course of business. The maximum prize allowed is a coupon or token worth up to \$5 in merchandise – cash prizes may not be awarded.
- The Department may revoke a registration issued for a device if the registrant or agent of the registrant violates any provision or rules governing the operation of amusement devices.
- Revocation of a registration may last for a period of up to two years.

II. OVERVIEW OF HOUSE FILE 2562

On April 28, 2004, Governor Tom Vilsack signed into law House File 2562, an act relating to electrical and mechanical amusement devices that are required to be registered with the Department. The new law, which took effect upon the Governor's signing, restricted the total number of electrical and mechanical amusement devices registered to the number registered with the Department as of the effective date of the act.

In addition to restricting the number of electrical and mechanical amusement devices that can be registered, House File 2562 contained the following provisions:

- Prohibits the operation of registered electrical and mechanical amusement devices by anyone under the age of 21, and imposes a \$250 fine on an under-aged player.
- Provides that a person owning or leasing a registered electrical and mechanical amusement device who knowingly allows an underage player to operate the device is guilty of a simple misdemeanor.
- Provides that owners, with electrical and mechanical amusement devices registered prior to the effective date of the Act (April 28, 2004) and located in non-liquor control licensed or non-beer permit locations/premises, may continue to offer the device for public use until July 1, 2005. By July 1, 2005, the device must be removed from the non-liquor control-licensed or non-beer permit location. The device may be sold to a distributor or to a person authorized to offer the device for public use.
- Provides that electrical and mechanical amusement devices required to be registered under Iowa Code § 99B.10(4) may only be located on premises for which a Class “A,” Class “B,” Class “C” or Class “D” liquor control license or a Class “B” or Class “C” beer permit has been issued.
- Provides for the annual registration fees of \$2,500 for manufacturers and manufacturer’s representatives, \$5,000 for distributors, and \$2,500 for for-profit owners with two or fewer devices at a single location.
- Prohibits a person owning or leasing a device from advertising or promoting the device as anything other than an electrical and mechanical amusement device in accordance with rules by the Department.
- Provides for each registered electrical and mechanical amusement device to include, by January 1, 2006, a counting mechanism to establish the volume of business of the device. The Department and the Department of Public Safety have access to the information provided by the mechanism.
- Provides for those registered electrical and mechanical amusement devices in Class “B” and Class “C” beer permit locations to include a security mechanism that prevents operation of the device by a person until the owner or owner’s designee permits operation.

III. ADMINISTRATIVE RULES PROCESS

On October 10, 2003, the Department filed a Notice of Intended Action to amend its administrative rules dealing with amusement devices [481 IAC 104] and adopt a new chapter pertaining to registered amusement devices [481 IAC 105]. The initial rules were drafted in cooperation with representatives from the Iowa Organization of Music and Amusements (IOMA), a professional association representing owners and operators of

amusement devices in the State of Iowa.

The Department's noticed rules were reviewed by the Administrative Rules Review Committee (ARRC) at its November 10, 2003, meeting. Industry representatives told ARRC they disagreed with the Department's definitions of "owners" and "distributors." The industry did not see a distinction between nonprofit, qualified organizations that use the devices as a fundraising tool and private, for-profit entities engaged in the business of promoting or distributing amusement devices.

A public hearing was held on the proposed administrative rules on November 19, 2003, with comments received from one distributor of amusement devices. On December 17, 2003, the Department adopted the rules, after revising several of the sections to accommodate concerns expressed by amusement device owners, operators, and distributors. The ARRC reviewed the Department's Adopted and Filed rules at its February 9, 2004, meeting, at which time a 70-day delay was imposed to allow the Legislature time to address concerns expressed by the industry. After the passage of House File 2562 during the 2004 session, ARRC's delay was allowed to lapse on April 23, 2004, and the administrative rules became effective immediately.

The Department, in cooperation with the Department of Public Safety, is in the process of developing administrative rules to implement the amusement device changes addressed in HF 2562. It is anticipated a Notice of Intended Action for these rules will be filed in early January 2005.

The delay in filing administrative rules has not adversely impacted the registration process or registration renewal process.

IV. GAME MACHINE MANAGEMENT SYSTEM (GMMS)

Shortly after passage of HF 594, the Department entered into an agreement with the Department of Administrative Services (DAS), Information Technology Enterprise (ITE), to develop an online registration system for electrical and mechanical amusement devices. The online system, referred to as the Game Machine Management System (GMMS), would allow owners of amusement devices to apply and pay for registration stickers for their devices. In addition, the GMMS would allow manufacturers, manufacturers' representatives, and distributors of amusement devices to register with the Department and pay their annual registration fees.



The ITE-developed system permitted distributors of amusement devices to notify the Department of a change in the locations of their devices, as well as manage their accounts and inventories. Likewise, manufacturers and manufacturers' representatives could register with the Department in order to comply with the requirements of the law and transact business within the State of Iowa.

Prior to its unveiling, the GMMS was demonstrated by the Department staff before the annual conference of Iowa Organization of Music and Amusements (IOMA) members in Des Moines. The system went online on September 26, 2003, with the first registrations occurring the following month.

As a result of the enactment of HF 2562, the Department immediately suspended its online registration system, effectively limiting the number of devices operating in the State of Iowa to 6,928 machines. The Department initiated a new agreement with ITE to modify the existing online registration system pursuant to the new law. A notice was posted to the GMMS web site informing owners and operators of registered amusement devices that the online system had been suspended.

Temporary suspension of the online registration system required registrants wanting to make changes or new applicants wanting to be placed on the registration waiting list to contact the Department.

As of December 8, 2004, the GMMS web site was reactivated. This will allow current registrants to begin renewing their registrations. This will also allow for-profit owners with registered devices to newly register as owners, as required by HF 2562. Only those individuals who created user accounts on the system prior to April 28, 2004, will be permitted to access the online database. New users can also access the website, in order to establish a user ID to place themselves on the registration "waiting list". The web address for GMMS is <https://www.egov.state.ia.us/gmms/>.

For general information about amusement devices, including frequently asked questions, visit the Department's web site at <http://www.state.ia.us/government/dia/page23.html>.

V. CONSUMER/PUBLIC INFORMATION AWARENESS EFFORTS

Following the enactment of HF 594, known owners and distributors of amusement devices were kept apprised of the Department's activities throughout the process of promulgating the administrative rules and the development of the online registration system. As was previously mentioned, Iowa Organization of Music and Amusements (IOMA) representatives met with Department staff on several occasions during the

drafting of the administrative rules. In addition, the unveiling of the online registration system occurred at the organization's annual meeting in Des Moines.

In an effort to keep all Iowans advised of the requirements pertaining to electrical and mechanical amusement devices, the Department issued two media releases prior to any enforcement action by Department of Public Safety, Division of Criminal Investigation, agents. The media releases were sent to all daily and weekly newspapers, and television and radio stations serving Iowa. The first release (issued February 4, 2004) urged owners and operators of amusement devices to register with the Department (Attachment "A"). The release not only detailed the requirements of the law, but also provided a web site address where individuals could register their amusement devices. The second release (issued April 16, 2004) served as a second reminder for Iowans to register amusement devices in their possession prior to the beginning of DCI enforcement action (Attachment "B"). This release, too, provided a web site address through which the GMMS could be accessed.

Copies of the Department's media releases, as well as informational packets were mailed to all IOMA members to acquaint them with the requirements of House File 594 and the corresponding administrative rules. This information was also mailed to several national magazines catering to owners and operators of amusement devices.

As an additional way to reach as many owners of amusement devices, a letter was sent in March, 2004, to liquor licensees to notify them of the requirement to register and how to register. (Attachment "C")

Additional information about the registration of electrical and mechanical amusement devices, including a series of "frequently asked questions," was posted to the Department's web site address: www.state.ia.us/government/dia/index.html. Iowans who called the Department's Social and Charitable Gambling Unit to ask about amusement device registrations were often referred to the Department web site where they could register online or download paper copies of the registration forms.

Following the enactment of HF 2562, the Department sent a letter to all current registrants to apprise them of the changes resulting from the legislation, including the cap on the number of registered amusement devices. (Attachment "D"). An additional letter will be sent to registrants in the spring 2005 to remind those persons with devices that must be removed by July 1, 2005, and to provide any updates to the implementation of HF 2562.

The Department's web site was updated to reflect the enactment of HF 2562 and to notify users of the temporary suspension of the GMMS.

DCI presented to the Law Enforcement Intelligence Network conferences and the Iowa Law Enforcement Academy Basic Criminal Investigations courses in 2003 and 2004 related to amusement device enforcement.

During the DCI enforcement initiative in April of 2004, information packets were provided to bar owners, distributors, etc.

DCI continues to meet and work with local law enforcement and county attorneys on an ongoing basis. Local law enforcement and county attorneys have been provided the DCI contact responsible for responding to concerns/questions about amusement devices in their areas.

The Department of Public Safety, Division of Criminal Investigation (DCI), presented to two Law Enforcement Workshops in June, 2004. These are educational workshops conducted by the Department of Public Safety in conjunction with the Iowa County Attorneys Association to explain newly enacted legislation that affects law enforcement and others in the criminal justice community.

VI. REGISTRATIONS

HF 594 required that certain amusement devices operating in Iowa be registered with the Department and that a registration sticker be purchased and prominently displayed on the front of each device. Likewise, all manufacturers, manufacturers' representatives, and distributors of amusement devices subject to registration were required to register with the Department and pay an annual registration fee of \$2,500. While charitable organizations were required to register their amusement devices, the organization itself was not required to pay an annual registration fee. The following chart shows the number devices or entities registered by category during Fiscal Year 2004:

Fiscal Year 2004 Registrations

Registration Type	Number
Amusement Devices	6,928
Manufacturers	3
Manufacturers' Representatives	4
Distributors	88

As a result of HF 2562, the maximum number of registered devices in operation at any one time in the state was capped at 6,928 on April 28, 2004.

For Fiscal Year 2004, the 6,928 registered amusement devices were located at 2,985 premises around the state. A review of registration data indicates that registered amusement devices are located in virtually every county in Iowa. (A complete listing of registered amusement devices per county can be found in Attachment "E").

In Fiscal Year 2005, registrations for devices, manufacturers, manufacturer's representatives, and distributors will come up for renewal. In addition, persons who are for-profit owners of registered devices, and are not a distributor, will have to pay a registration fee of \$2,500, in addition to the registration fee for each device.

Although the number of registered devices in the state is capped, the total number of registrations or fees received during the Fiscal Year may be greater due to registered devices being exchanged or new registrations. In order for an owner, distributor or qualified organization to register new or additional devices, a registration spot must be available. A registration spot may become available as a result of such situations as the sale of a device to a new owner or a device being removed from operation.

To provide a fair and equitable process for filling open registration spots, the Department has established a "waiting list". Applicants are placed on the waiting list in the order their application is received. Applicants may only be on the waiting list for one device at a time.

VII. ENFORCEMENT

Enforcement of HF 594 and HF 2562 is a joint responsibility of the Department and the Department of Public Safety, Division of Criminal Investigation (DCI). The Attorney General's Office, County Attorneys and Local Law Enforcement also serve a role in the enforcement of these laws.

The Department has the responsibility to address complaints, either on their own investigation or as a referral to the DCI. The Department may also refer criminal cases to the Attorney General's Office, who works with the appropriate county attorney to prosecute an action. DIA may revoke a registration for up to two years for cause, following the opportunity for an evidentiary hearing, except in the case where a person awards a cash prize. In this case, the registration shall be revoked for a period of ten years, following the opportunity for an evidentiary hearing. If the registrant has a liquor control license or beer permit, the registrant shall have their license or permit suspended

for 14 days. The registrant with a beer permit shall also have their sales tax permit suspended for fourteen days.

Between May 23, 2003 and November 30, 2004, the Department received eleven complaints, in addition to those complaints referred to the DCI. Of those eleven complaints, six (6) were unfounded and five (5) involved a clarification of the rules and were immediately corrected by the distributor.

The DCI has the responsibility to investigate complaints, either received direct or upon referral from DIA. The DCI may also refer criminal cases to the Attorney General's Office. The DCI has the authority to seize illegal devices and works with the appropriate County Attorney in the forfeiture process.

Since April, 2004, the DCI has visited nearly all 99 counties to inspect locations and devices to determine compliance with HF 594 and HF 2562. In many cases, the DCI works with local law enforcement during ongoing enforcement efforts.

During the week of April 19, 2004, the Department of Public Safety, Division of Criminal Investigation (DCI), conducted a statewide "sting" operation to identify amusement devices in non-compliance with HF 594, either as a result of no registration, no registration sticker, illegal gambling device, or too many devices in a single location. DCI conducted 489 inspections and found 85 non-compliant devices, of which 72 were seized. As of November 30, 2004, 16 of the 72 devices seized in April have been returned to the owner. The remaining 56 seized devices are still in the forfeiture process.

When a device is seized, a receipt is provided to the responsible party and the device is held at a secure storage facility pending forfeiture action, in accordance with Iowa Code chapter 809. During the forfeiture process, the devices are normally inaccessible in regard to inventorying the contents. The contents are named in the seizure, as well as, the device. Dependent on forfeiture action, the device is then either returned to the registered owner or forfeited to the State of Iowa for destruction purposes. The seized proceeds are placed into the seized assets account of the Department of Public Safety and are dispersed according to established policies.

From June through November, 2004, DCI inspected 1,323 locations for non-compliance violations, either due to a complaint or ongoing enforcement. The inspections involved 1,046 devices, of which 22 were seized for non-compliance. A total of 39 complaints were investigated during this time period.

Attachment "F" provides the monthly detail of activity by the DCI.

VIII. FEES AND EXPENDITURES

For Fiscal Years 2004 and 2005, registration fees provide the funding for the administration and enforcement of HF 594 and HF 2562. Any fee revenue not expended during Fiscal Year 2004 carried over to Fiscal Year 2005 for the same purpose. The Department and the DCI have a financial agreement defining the estimated Fiscal Year expenditures for each agency.

Following are the fee revenues by registration category for Fiscal Year 2004:

Fiscal Year 2004 Registration Fee Revenue

Registration Type	Number	Fee	Fees Collected
Amusement Devices	6,928	\$ 25	\$173,200
Manufacturers	3	\$2,500	\$ 7,500
Manufacturers' Representatives	4	\$2,500	\$ 10,000
Distributors	88	\$2,500	\$220,000
TOTAL			\$410,700

Fiscal Year 2004 Department Expenditures by Major Category

Expenditure	Amount
Salaries & Wages	\$32,661
Office Supplies	\$ 3,920
Postage	\$ 1,167
Reimbursements to Other Agencies	\$ 1,184
Reimbursements to ITE	\$22,243
Office Equipment	\$10,258
Computer Equipment	\$ 2,298
Software for Computers/Servers	\$ 2,684
TOTAL	\$76,415

The DCI expenditures billed for Fiscal Year 2004 were \$15,385 for salaries and expenses. Expenses include storage costs for seized devices.

Total expenditures charged to the amusement device registration fund for Fiscal Year 2004 were \$91,800. Expenditures in Fiscal Year 2004 were less than originally anticipated, especially in the enforcement area, due to the "ramp up" time for the program and the delay in the effective date of the administrative rules.

As authorized by legislation, the remaining fund balance of \$318,950 has been carried over to Fiscal Year 2005 for administration and enforcement.

For Fiscal Year 2005, new revenues are estimated to be around \$840,000. Revenues are based on renewal registrations of the 6,928 devices, 88 distributors, three manufacturers, and four manufacturer representatives and new registrations for 85 owners. Revenues are expected to increase in comparison to Fiscal Year 2004 due to the requirement in HF 2562 for for-profit owners to register and pay a fee of \$2,500 and for distributors to pay an increased registration fee of \$5,000, an increase from the \$2,500 during Fiscal Year 2004.

Expenditures for Fiscal Year 2005 are estimated at \$425,000 (DIA - \$125,000; DCI - \$300,000). Besides salary and support for program staff, the Department's expenditures include a modification of the online registration system and database to accommodate new provisions of HF 2562. DCI's expenditures recognize a full year of enforcement activities.

IX. THE FUTURE

Next Steps

The next steps in the implementation of amusement device legislation will be filing administrative rules as a result of the changes in HF 2562, notifying the registrants during the rules process and upon adoption of the rules, continuing to address complaints as received, ongoing enforcement efforts to ensure only compliant devices are offered and used in the state, and maintaining the registration online system and database.

Recommendations

The Department and the DCI make the following recommendations based on experiences over the past eighteen months:

Fee Structure

Maintain the fee structure as it currently exists. As shown under the Fees and Expenditures, the fees are sufficient, at this time, to cover the administration and enforcement costs of the Department and the DCI.

Legislative Changes

- Enact legislation to permanently allow the Department and the DCI to use the registration fees for administration and enforcement of the program. Proposed language is provided as Attachment "G". The current legislation only provided this

authority for Fiscal Years 2004 and 2005. A statutory change is required to continue this arrangement.

- Enact legislation to remove any conflict in the types of devices considered illegal under Iowa Code chapters 99B and 725. The Department and the DCI will be developing proposed language to address any conflict.

Other Recommendations

The Department and the DCI will be reviewing the current penalty structure to determine whether to recommend different penalties be applied to unregistered devices vs. registered devices, which may provide an alternative to revocation and seizure and forfeiture. We will forward any recommendation resulting from this review.

Please contact Beverly Zylstra, DIA Legislative Liaison, at 515-281-6442 or at beverly.zylstra@dia.state.ia.us with any questions concerning this report or about the program. Questions specific to enforcement should be directed to Betsy Dittmore, DPS Legislative Liaison, at 515-281-5043 or at dittemor@dps.state.ia.us.

ATTACHMENT

“A”

Iowa Department of Inspections and Appeals

Lucas State Office Building * Des Moines, Iowa * 50319-0083

FOR IMMEDIATE RELEASE

Date: February 4, 2004
Contact: David Werning
(515) 281-7376

Owners and Operators of Amusement Devices Urged to Register With DIA

DES MOINES, IOWA - Iowans who own, operate or distribute electrical and mechanical amusement devices in the state must immediately begin to register their devices with the Iowa Department of Inspections and Appeals (DIA) or potentially face criminal prosecution, DIA Director Steve Young said today. Individuals who manufacture amusement devices and those who represent manufacturers also must register with DIA if they intend to make amusement devices available for sale or use in Iowa.

Beginning February 11, agents with the Iowa Division of Criminal Investigations (DCI) and local law enforcement officials may confiscate any device that is not registered with DIA. A state-issued sticker prominently displayed on the front of the device is evidence that the device is properly registered, Young added.

The amusement devices required to be registered with DIA are those devices that issue a ticket or token worth up to \$5 in merchandise redeemable on the premises where the machine is located, the Director explained. The outcome of the game played on the device is not dependant upon the player's skill or knowledge. According to DCI estimates, there may be as many as 10,000 electrical and mechanical amusement devices in operation in Iowa, all of which must be registered with DIA in order to comply with a newly enacted state law.

"Last year the Iowa General Assembly passed a law requiring that certain electrical and

mechanical amusement devices be registered with the department,” Young continued, adding: “Amusement devices are not new in the state of Iowa. There have been such devices and games in Iowa for many, many years. However, law enforcement officials were becoming concerned about the proliferation of these devices, especially those that resemble slot machines and can be adapted to pay out cash prizes.”

As a result of the concern, legislators made adjustments to the state’s social and charitable gambling laws to require the registration of amusement devices that pay out prizes, as well as the registration of manufacturers, manufacturers’ representatives, and distributors of amusement devices. Each device registered with DIA must have a state-issued sticker permanently affixed to the front of the machine and visible to the general public. The annual cost of registering an electrical and mechanical amusement device is \$25 per machine.

Additional restrictions on the use of electrical and mechanical amusement devices include the following:

- * Amusement devices may only be purchased or leased from a manufacturer, manufacturer’s representative or distributor registered with DIA.
- * Qualified organizations exempt from federal income tax may have up to four (4) amusement devices per location; all other entities may only have two (2) devices per location.

“The law further provides that a manufacturer, manufacturer’s representative, or distributor of an electrical and mechanical amusement device also must be registered with DIA if the individual intends to make a device available for sale or use in the state of Iowa,” Young said. The annual registration fee for a manufacturer, manufacturer’s representative or distributor is \$2,500 per category.

To facilitate the registration of amusement devices and those individuals who make, sell, or promote their use, the department worked with the state’s Information Technology Enterprise (ITE) to establish an online registration system. Amusement device owners and operators, as well as those individuals required by law to register with DIA can access an Internet-based registration system where they can list any devices in their possession and pay the appropriate registration fee, the Director said.

The system, referred to as the Gaming Machine Management System (GMMS), can be accessed through DIA's web site at www.state.ia.us/government/dia. Information about the registration of amusement devices as well as restrictions on their use can also be found on the department's web site. Since its inception last September 26, nearly 1,500 individual devices have been registered via the GMMS online system. In addition to the devices, 29 distributors and two manufacturer's representatives have registered with the department.

Failure to register an amusement device with DIA may result in the refusal to issue a registration or the revocation of an existing registration. The revocation of a registration can last for a period of up to two years. Individuals found to have amusement devices in violation of Iowa law can have their devices confiscated by law enforcement officials and can face possible criminal prosecution.

The department's Social and Charitable Gambling Unit is responsible for the registration of electrical and mechanical amusement devices. Individuals with questions about the new law may contact the Unit at (515) 242-5264.

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ATTACHMENT “B”

MEDIA RELEASE

Iowa Department of Inspections and Appeals □ Lucas State Office Building □ Des Moines, Iowa 50319-0083

For Immediate Release

Date: April 16, 2004
Contact: David Werning
Phone: (515) 281-7376

Registered Amusement Device Rules Now In Effect – Enforcement Actions Pending

DES MOINES, IOWA – Iowa Department of Inspections and Appeals (DIA) Director Steve Young today reminded owners, operators, distributors and manufacturers of electrical and mechanical amusement devices to continue registering their devices or face potential criminal prosecution. “The Department’s administrative rules regulating these devices are now in effect, which means that individuals who have failed to comply with the law may now be subject to criminal penalties, including the confiscation of their amusement devices,” Young said.

Earlier this year, the Department adopted new administrative rules regulating electrical and mechanical amusement devices. However, the Legislature’s Administrative Rules Review Committee delayed the implementation of those rules.

“On Monday the Committee removed its delay on the Department’s rules, which means they are now in effect,” the Director noted, adding: “Enforcement with the law is forthcoming.”

Under DIA’s administrative rules, all electrical and mechanical amusement devices that pay out prizes are required to be registered with the Department. Individuals who act as a manufacturer, manufacturer’s representative, or distributor of these devices also must be registered with DIA. Each registered device must have a state-issued sticker permanently affixed to the front of the machine and

visible to the general public. The annual cost of registering an electrical and mechanical amusement device is \$25 per machine.

Additional restrictions on the use of electrical and mechanical amusement devices include the following:

- Amusement devices may only be purchased or leased from a manufacturer, manufacturer's representative, or distributor registered with DIA.
- Qualified organizations exempt from federal income tax may have up to four (4) registered amusement devices per location; all other entities may only have two (2) registered amusement devices per location.

"Iowa law requires that a manufacturer, manufacturer's representative, or distributor of an electrical and mechanical amusement device be registered with DIA if the individual intends to make a device available for sale or use in the State of Iowa," Young continued. The annual registration fee for a manufacturer, manufacturer's representative, or distributor is \$2,500 per category.

To facilitate the registration of amusement devices, manufacturers, manufacturer's representatives, and distributors, the Department developed an online registration system. The system, referred to as the Gaming Machine Management System (GMMS), can be accessed through the DIA's web site at www.state.ia.us/government/dia. Information about the registration process, as well as restrictions on the amusement devices can also be found on the Department's web site. Since its inception on September 26, 2003, more than 4,000 electrical and mechanical amusement devices have been registered. In addition, more than 75 manufacturers, manufacturer's representatives, and distributors have registered with the Department.

"In order to comply with the law and avoid possible criminal charges, I urge all Iowans who own, operate, manufacture or distribute electrical and mechanical amusement devices to register these machines with the Department," Young concluded. DIA's Social and Charitable Gambling Unit is responsible for the registration of amusement devices. Individuals with questions about the law or the Department's administrative rules should contact the Unit at (515) 242-5264.

ATTACHMENT “C”

March 15, 2004

Dear Sir or Madam:

There is new legislation governing amusement devices, which print tickets in exchange for merchandise.

If you own one or more of these devices, it is your responsibility to register your device(s) in compliance with the new legislation. To register your device(s), you may visit our website at www.state.ia.us/government/dia. This is the main web page for the Department of Inspections and Appeals. About half way down the page, you will see Registered Amusement Devices. This will take you to the Amusement Device page where you can access step-by-step instructions on how to use our online registration system. There is also a link to the online registration system and the current legislation and rules as well as frequently asked questions.

If you lease one or more of these devices and there is no registration sticker on the device(s), it is your responsibility to inquire whether the person you are leasing your device(s) from has registered the device(s) and when they will be placing a registration sticker on the device(s).

There is a limit of two devices per location on these Amusement Devices for a for-profit business. A charitable organization is allowed up to 4 devices per location. I have enclosed a copy of House File 594 for informational purposes.

If you do not have access to a computer and wish to obtain a paper application, or if you have questions regarding the registration of these devices, contact Terri Duden at (515) 242-5264.

Sincerely,

A handwritten signature in cursive script that reads "Sherry Hopkins".

Sherry Hopkins
Program Manager
Social and Charitable Gambling
Department of Inspections and Appeals

ATTACHMENT “D”

May 25, 2004

Dear Registrant:

On Wednesday, April 28, 2004, Iowa Governor Tom Vilsack signed into law House File 2562, an act relating to electrical and mechanical amusement devices that are required to be registered with the Department of Inspections and Appeals (DIA). The new law, which took effect upon the Governor's signing, restricts the total number of electrical and mechanical amusement devices registered to the number registered with DIA as of the effective date of the act.

Therefore, effective at the close of business on April 28, 2004, no more electrical and mechanical amusement devices may be registered with the Department. Only those registration applications mailed to the Department **AND** postmarked no later than April 28, 2004, will be processed. All other applications will be returned to the sender.

In addition to restricting the registration of electrical and mechanical amusement devices, the new law makes the following changes to Iowa Code Chapter 99B:

- Prohibits the operation of registered electrical and mechanical amusement devices by anyone under the age of 21, and imposes a \$250 fine on an under-aged player.
- Provides that a person owning or leasing a registered electrical and mechanical amusement device who knowingly allows an underage player to operate the device is guilty of a simple misdemeanor.
- Provides that owners, with electrical and mechanical amusement devices registered prior to the effective date of the Act (April 28, 2004) and located in non-liquor control licensed or non-beer permit locations/premises, may continue to offer the device for public use until July 1, 2005. By July 1, 2005, the device must be removed from the non-liquor control-licensed or non-beer permit location. The device may be sold to a distributor or to a person authorized to offer the device for public use.
- Provides that electrical and mechanical amusement devices required to be registered under Iowa Code § 99B.10(4) may remain at premises for which a Class "A," Class "B," Class "C" or Class "D" liquor control license or a Class "B" or Class "C" beer permit has been issued. No further electrical and mechanical amusement devices may be placed at premises for which a Class "B" or Class "C" beer permit has been issued, after the effective date of this Act (April 28, 2004). Any establishment with a Class "B" or Class "C" beer permit is not allowed to remove, replace, or increase in number the electrical and mechanical amusement devices located on the premises after the effective date of this Act (April 28, 2004) for any purpose other than repairs.
- Provides for an annual registration fee of \$2,500 for manufacturers, manufacturers' representatives, and for profit owners of 1 location and up to two devices. \$5,000 for distributors, and for-profit owners with two or more locations.
- Prohibits a person owning or leasing a device from advertising or promoting the device as anything other than an electrical and mechanical amusement device in accordance with rules by DIA.
- Provides for each registered electrical and mechanical amusement device to include, by January 1, 2006, a counting mechanism to establish the volume of business of the device. DIA and the Iowa Department of Public Safety (DPS) have access to the information provided by the mechanism.
- Provides for those registered electrical and mechanical amusement devices in Class "B" and Class "C" beer permit locations to include a security mechanism that prevents operation of the device by a person until the owner or owner's designee permits operation by July 1, 2004.

The website for electrical and mechanical amusement device registration has been temporarily disabled to allow for adjustments and updates to comply with the new legislation. We apologize for any inconvenience this may cause. However, if you need any changes or adjustments to your account during this period, please e-mail tduden@dia.state.ia.us or fax the information to (515) 281-3291.

The above changes in fees will be effective upon renewal of your registration. All other changes are effective as of the dates listed above. Specifics involving the enforcement of the above legislation will be addressed in a revision of the Administrative Rules, which will be available in the future.

Upon renewal of devices and locations, you should verify all locations and machines, for correct and complete information before renewing. Any missing information will disallow the machines at that location from renewal. With that in mind, let this serve as notice that the following information will be needed in order to renew and comply with the new legislation: Liquor License or Beer Permit number(s), Tax Identification or Social Security number at the location, charitable gambling license number for charitable organizations (or copy of 501c designation letter from IRS if we do not already have one on file), complete addresses (mailing and street addresses, a post office box alone will not be acceptable since it does not tell us where the location is), and phone numbers. Typing in unknown or zeros in any of these required fields will be cause to disallow the renewal of the machines at the location. Paper applications and renewals with incomplete information will be returned for completion and will also be disallowed if no response is received.

If you have any questions regarding the above information please call Terri Duden at (515) 242-5264

Sincerely,

A handwritten signature in black ink, appearing to read "Sherry Hopkins". The signature is written in a cursive style with a large, prominent initial "S".

Sherry Hopkins
Electrical and Mechanical Amusement Device
Program Manager

SH/tld

ATTACHMENT “E”

REGISTERED AMUSEMENT DEVICES
By County

Adair	101
Adams	6
Allamakee	51
Appanoose	35
Audubon	11
Benton	50
Black Hawk	417
Boone	25
Bremer	36
Buchanan	54
Buena Vista	36
Butler	18
Calhoun	29
Carroll	74
Cass	56
Cedar	36
Cerro Gordo	180
Cherokee	19
Chickasaw	80
Clarke	36
Clay	33
Clayton	66
Clinton	123
Crawford	50
Dallas	44
Davis	10
Decatur	20
Delaware	33
Des Moines	224
Dickinson	92
Dubuque	156
Emmet	15
Fayette	48
Floyd	28
Franklin	23
Fremont	20
Greene	9
Grundy	15
Guthrie	18
Hamilton	29
Hancock	23
Hardin	59
Harrison	35
Henry	36
Howard	30
Humboldt	21
Ida	11
Iowa	63
Jackson	50
Jasper	53
Jefferson	39
Johnson	128
Jones	43
Keokuk	16
Kossuth	31
Lee	155

Linn	531
Louisa	19
Lucas	20
Lyon	10
Madison	14
Mahaska	41
Marion	47
Marshall	106
Mills	24
Mitchell	28
Monona	33
Monroe	35
Montgomery	74
Muscatine	70
O'Brien	19
Osceola	3
Page	15
Palo Alto	22
Plymouth	32
Pocahontas	14
Polk	1,050
Pottawattamie	261
Poweshiek	37
Ringgold	5
Sac	26
Scott	272
Shelby	23
Sioux	17
Story	84
Tama	50
Taylor	13
Union	91
Van Buren	19
Wapello	100
Warren	65
Washington	27
Wayne	11
Webster	158
Winnebago	33
Winneshiek	47
Woodbury	140
Worth	15
Wright	28
TOTAL	6,928

ATTACHMENT “F”

**DIVISION OF CRIMINAL INVESTIGATION
AMUSEMENT DEVICE ENFORCEMENT ACTIVITY**

PUBLIC INFORMATION ACTIVITY:

- Presented at the Acts of Interest to Law Enforcement Workshops (2) held in June of 2004. These are educational workshops conducted by the Department of Public Safety in conjunction with the Iowa County Attorneys Association to explain the newly enacted legislation that affects law enforcement and others in the criminal justice community.
- Distributed informational packets to bar owners, distributors, etc.
- Met and worked with local law enforcement and county attorneys. Provided contact information with DCI to respond to concerns/questions about amusement devices in their areas.
- Presented to LEIN (Law Enforcement Intelligence Network) conferences and to the Iowa Law Enforcement Academy Basic Criminal Investigations courses in 2003 and 2004.

DCI OPERATIONS:

(Did not issue citations during the period that the administrative rules were delayed.)

April 2004: Number of counties: 19

Number of inspections:	489
Number non-compliant devices:	85
Number seized:	72

Total hours: 359

Total costs: \$15,385 (\$12,590 Salary; \$ 2,795 Expenses)

June 2004: Number of counties: 11

Number of locations inspected:	51
Number of devices inspected:	39
Number of registration violations	0
Number of other 99B.10 violations:	2
Number of devices seized:	0

Complaints received during period:	5
Number investigated:	4
Number seized:	0
Local law enforcement contacts:	4
Assists by locals:	1
Hearings attended:	1

Total hours: 113.5 (not billed to Fund due to administrative oversight)

First Quarter FY 05:

July: Number of counties: 12

Number of locations inspected:	182
Number of devices inspected:	142
Number of registration violations:	2
Number of other 99B.10 violations:	5
Number seized:	0

Complaints received during period:	8
Number investigated:	8
Local law enforcement contacts:	18

Hearings attended:	1
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Total Hours: 399

Also issued several warnings on various violations and conducted local training during this time.

August: Number of counties: 27

Number of locations inspected:	355
Number of devices inspected:	283
Number of registration violations:	5
Number of other 99B.10 violations:	9
Number seized:	2

Complaints received during period:	10
Number investigated:	14
Number of devices seized:	0
Local law enforcement contacts:	20
Assists by local:	2
Hearings attended:	1

Total Hours: 621

Conducted three presentations to local and county law enforcement agencies.

September: Number of counties: 24

Number of locations inspected:	316
Number of devices inspected:	253
Number of registration violations:	12
Number of other 99B.10 violations:	15
Number seized:	10

Complaints received during period:	5
Number investigated:	6
Devices seized:	3
Local law enforcement contacts:	12
Hearings attended:	0

Total Hours: 464.5

Meetings held with Polk, Warren, and Clark County attorneys on case activity of seized devices.

Total Hours: 1484.5

Total First Quarter Expenses: \$52,140 (\$48,550 Salary; \$3590 Expenses)

October: Number of counties: 23

Number of locations inspected:	183
Number of devices inspected:	139
Number of registration violations	8
Number of other 99B.10 violations:	5
Number of devices seized:	7

Complaints received during period:	6
Number investigated:	3
Number seized:	2
Local law enforcement contacts:	8
Assists by locals:	1
Hearings attended:	2

Total hours: 418

Met with Polk and Warren county attorneys. Presented on illegal amusement devices and liquor inspections to law enforcement. Gave verbal warnings related to social gaming, liquor license requirements, etc.

November: Number of counties: 16

Number of locations inspected:	236
Number of devices inspected:	190
Number of registration violations	7
Number of other 99B.10 violations:	21
Number of devices seized:	3

Complaints received during period:	4
Number investigated:	4
Number seized:	0
Local law enforcement contacts:	10
Assists by locals:	5
Hearings attended:	1

Total Hours: 207

Provided verbal warnings related to alcohol and liquor license requirements.

Total October and November Expenses: \$63,710 (\$20,000 salary; \$43,710 expenses which include 2 vehicles)

**TOTAL BILLED EXPENSES TO DATE (April 2004-November 2004):
\$131,235**

ATTACHMENT “G”

Proposed Amusement Device Legislation on Funding

Chapter 99B, Code 2005, is amended by adding the following new section:

NEW SECTION. 99B.10D ELECTRICAL AND MECHANICAL AMUSEMENT DEVICES – SPECIAL FUND.

Fees collected by the department of inspections and appeals pursuant to sections 99B.10 and 99B.10A shall be deposited in a special fund created in the state treasury. Moneys in the fund are appropriated to the department of inspections and appeals and department of public safety for administration and enforcement of section 99B.10, 99B.10A, 99B.10B, and 99B.10C, including employment of necessary personnel. The distribution of moneys in the fund to the department of inspections and appeals and the department of public safety shall be pursuant to a written policy agreed upon by the departments. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the fund shall be credited to the fund.